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SENSITIVE
SIPDIS

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TAGS: PARM PGOV ENRG MNUC KNNP TRGY UK KZ
SUBJECT: KAZAKHSTAN APPROVES LIMITED FUNDING TO MAINTAIN
U.S.-FUNDED SODIUM PROCESSING FACILITY

REF: STATE 89507

¶1. (U) Sensitive but unclassified. Not for public Internet.

¶2. (U) This is an action request. Please see paragraph
nine.

¶3. (SBU) SUMMARY: On November 5, U.S. and Kazakhstani
officials met in Aktau to celebrate the construction of the
\$3.35 million U.S. government-funded sodium processing
facility (SPF). Completing the SPF was the U.S.
government's final step in the irreversible decommissioning
of the BN-350 plutonium breeder reactor. The SPF was
designed to assist in disposing of the remaining radioactive
sodium from the reactor in an ecologically safe way. The
Kazakhstani government committed to funding the SPF's
maintenance after its construction, but on November 5,
representatives of the government of Kazakhstan said they had
received enough funding only to maintain the facility for one
or two years. The contractor that had overseen efforts to
build and fund the facility, the National Nuclear Technology
Safety Center (NTSC), requested U.S. assistance in lobbying
the government of Kazakhstan for more budgetary assistance in
the long-term. If the government of Kazakhstan does not
properly maintain the SPF, the sodium could pose a future
environmental hazard. END SUMMARY.

CONSTRUCTION COMPLETED AT U.S.-FUNDED FACILITY

¶4. (SBU) On November 5, U.S., UK, and Kazakhstani officials
celebrated the construction of the \$3.35 million U.S.
government-funded sodium processing facility (SPF) in Aktau.
Completing the SPF was the U.S. government's final step in
the irreversible decommissioning of the BN-350 plutonium
breeder reactor. The SPF, modeled on technology used at
Idaho National Laboratory's Experimental Breeder Reactor, is
designed to process an estimated 56 liters of solidified
residual sodium from the BN-350 reactor into sodium
hydroxide. The material can then be stored in a safe
condition for long-term storage. The Kazakhstani government
previously committed to building a Kazakhstani-funded
geo-cement stone facility (GSF) in which the sodium hydroxide
solution generated by the SPF would be combined with
blast-furnace slag and solidified in steel drums for

long-term storage. The initial development of geo-cement stone technology was a collaborative project between the United States and Kazakhstan. In the second &plant-design8 phase, the United Kingdom has been providing technical assistance.

SUB-CONTRACTOR MAEC CAUSED NUMEROUS DELAYS

¶15. (SBU) Construction of the U.S. project, which began in March 2004, was completed by the target date of November 12008. During construction, however, MAEC-Kazatomprom often balked at implementing orders from the U.S. government,s Kazakhstan primary contractor, NTSC, causing project delays.

Since the BN-350 reactor and SPF are located on its territory, MAEC is responsible for assisting NTSC to procure funds to maintain the SPF. However, given MAEC,s resistance to NTSC guidance in the past, Executive Director Irina Tazhibayeva expressed concern about being able to secure funding resources to maintain the SPF until the GSF is complete.

LONG-TERM PROSPECTS FOR SPF MAINTENANCE FUNDING UNCLEAR

¶16. (SBU) Tazhibayeva told U.S. officials that NTSC worked carefully with MAEC to put together a detailed funding request for MEMR. MEMR, in turn, passed this proposal to the Ministry of Budget and Planning, which reportedly denied the proposal due to the effects of the financial crisis, but gave MAEC &plan of priority measures8 (PPM) funding, sufficient to maintain the facility for one or two years. Marat Nurgaziyev, Kazatomprom,s Deputy Director of Labor and Safety, stated that &any funding, other than PPM funding,

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would be difficult to obtain, even in 2010.8 The current reality is in stark contrast to previous expectations. NTSC,s Tazhibayeva told U.S. officials that Kazakhstan,s former Minister of Energy and Mineral Resources, Baktykozha Izmukhambetov, made commitments to use Kazakhstan government funds to maintain the sodium processing facility.

FUNDING OUTLOOK FOR THE GEO-CEMENT STONE FACILITY BLEAK

¶17. (SBU) The most serious impact will be on construction of the Geo-cement Stone Facility. Although Alexandr Onichshenko, Director of the primary contractor for the GSF, stated PPM funding was adequate for completing the GSF,s design, it is not enough to build the facility. Under Izmukhambetov, Tazhibayeva indicated MEMR had given assurances that Kazakhstan would definitely build the Geo-cement Stone Facility by 2012, but at the November 5 meeting, one Kazakhstani official called the project &tentative.8 Nurgaziyev stated that &as for actual work on the Geo-cement Stone Facility, we will have to develop plans for 2009-2010, and when the PPM budget is approved next year, we will see if it is possible.8 Tazhibayeva requested that the U.S. and U.K. assist NTSC, MAEC-Kazatomprom and MEMR to request adequate funding for the SPF and GSF facilities from the Ministry of Budget and Planning. In an indication of the relative lack of importance of these projects to the Kazakhstan government, the highest ranking attendees were MEMR Representative and Deputy Chairman of the Kazakhstan Atomic Energy Agency Alexander Kim, Deputy Director of MAEC-Kazatomprom Andrey Mogilin and Kazatomprom,s Deputy Director of Labor and Safety Marat Nurgaziyev.

UK CONCERNED ABOUT LACK OF KAZAKHSTANI FUNDING

¶18. (SBU) The UK Embassy,s Deputy Head of Mission, Michael Welch, agreed that it is in the best interests of all three countries (the United States, the United Kingdom and Kazakhstan) to complete the SPF and GSF facilities as soon as possible. In his remarks at the November 5 meeting and the press ceremony, Welch emphasized the significant investments the UK government had made in these projects, and stressed that the UK government hopes to see the projects brought to

completion with Kazakhstani funding as soon as possible. Tazhibayeva intends to make an additional request for funding in early December 2008, and asked for assistance in encouraging Kazakhstani government support.

¶9. (SBU) ACTION REQUEST: Post requests guidance from Washington on seeking additional funding from the government of Kazakhstan on the Sodium Processing and Geo-cement Stone Facilities, especially given existing unfulfilled requests to fund other BN-350 projects, in particular, the \$25 million dollars that the Government of Kazakhstan has already committed to spend for the transfer of spent fuel in fiscal year 2009. In particular, post requests that the Department consider coordinating with London before directing the U.S. and British Ambassadors in Astana to make a joint demarche on this subject. Per reftel, the U.S. government already made a supplemental request, submitted in letters sent in September 2008 from then-Ambassador Ordway to the Minister of Energy and Mineral Resources Sauat Mynbayev and Prime Minister Karim Masimov, for \$15 million dollars to purchase casks for the transfer of BN-350 spent fuel. END ACTION REQUEST.

HOAGLAND